

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 IO-13 ISO-00 FEA-01 AGRE-00 CEA-01

CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

SS-15 STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 3656

AMEMBASSY TEHRAN

INFO ALL EC CAPITALS

USMISSION OECD PARIS

USMISSION GENEVA

LIMITED OFFICIAL USE EC BRUSSELS 04345

E.O. 11652: N/A

TAGS: ETRD, IR, EEC

SUBJECT: EC/IRAN COOPERATION AGREEMENT - DISAPPOINTMENT OVER SECOND
NEGOTIATING ROUND

REF: (A) EC BRUSSELS 1942, (B) 76 EC BRUSSELS 9421

1. SUMMARY: EC OFFICIALS TELL US THAT THE SECOND ROUND OF
EC/IRAN NEGOTIATIONS TO DRAW UP A COOPERATION AGREEMENT DID
NOT GO WELL. THE GOI REJECTED A COMMISSION PROPOSED DRAFT
AGREEMENT AND CONTINUED TO ASK FOR PREFERENTIAL TREATMENT FOR ITS
EXPORTS. THE PACE OF THE NEGOTIATIONS WILL SLOW DOWN AND NO
AGREEMENT IS LIKELY THIS YEAR. END SUMMARY.

2. THE EC AND IRAN HELD IN BRUSSELS ON APRIL 19 A SECOND
NEGOTIATING ROUND TO CONCLUDE A COOPERATION AGREEMENT. GOI
VICE MINISTER FOR ECONOMIC AND FINANCIAL AFFAIRS, JAVAD VAFA,
AND EC COMMISSION DEPUTY DIRECTOR GENERAL FOR EXTERNAL
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RELATIONS, MANFRED CASPARI, HEADED UP THE NEGOTIATIONS.
EC COMMISSION AND PERM DEL OFFICIALS SAY THAT THE EC
TABLED A DRAFT AGREEMENT ON ALL COOPERATION MATTERS,
EXCEPT TRADE. THIS DRAFT INCORPORATED THE PROVISIONS
OF THE EC/CANADIAN AGREEMENT, EXCEPT THE ASPECTS ON
MFN TREATMENT WHICH DREW ON THE EC/MEXICAN AGREEMENT.
SINCE THESE PROVISIONS ARE WELL KNOWN AND ARE WIDELY

ACCEPTED, EC OFFICIALS HAD HOPED THAT THE GOI WOULD AGREE TO THIS DRAFT AD REFERENDUM SO THAT THE FUTURE NEGOTIATIONS COULD FOCUS ON THE MAIN ISSUE, I.E., THE TRADE PROVISIONS. INSTEAD, VAFA REJECTED THE DRAFT AND SAID HE WOULD SUBMIT HIS OWN. HE ASKED, WE ARE TOLD, THAT THE MFN PROVISIONS BE MADE COMPARABLE TO THOSE THAT THE EC PROVIDED TO THE SOUTHERN MEDITERRANEAN COUNTRIES (READ: IRAN SHOULD ALSO BE ELIGIBLE FOR PREFERENTIAL TRADE ARRANGEMENTS).

3. EC OFFICIALS ADD IRAN WANTS THE AGREEMENT TO INCLUDE ASSURANCES THAT ITS EXPORTS WILL HAVE ACCESS TO THE EC MARKET. IRAN WILL PREPARE A LIST OF PRODUCTS FOR WHICH IT WOULD LIKE SPECIAL EC CONSIDERATION. THE EC REPLIED THAT THIS SHOULD NOT BE A "POLITICAL" LIST, BUT A SHORT ONE WHICH IS REALISTIC. EC OFFICIALS ADD THAT THEY CONTINUE TO PLAN TO MEET THE GOI REQUEST FOR SPECIAL TREATMENT ON SPECIFIC PRODUCTS BY INCORPORATING SELECTED PRODUCTS INTO THE GSP. THE KEY REQUEST WILL BE ACCESS OF IRAN REFINED PETROLEUM PRODUCTS.

4. THE COMMISSION PLANS TO SEND A "FACT-FINDING" MISSION TO TEHRAN IN JUNE TO DISCUSS THIS PRODUCT LIST AND OTHER TRADE ISSUES. IT MAY HOLD A THIRD-NEGOTIATING ROUND BEFORE AUGUST, BUT THIS WILL DEPEND ON PROGRESS IN THE INTERIM PERIOD. COMMISSION OFFICIALS SAY THEY DO NOT PLAN TO REQUEST A NEGOTIATING MANDATE FROM THE COUNCIL ON THE TRADE PROVISIONS UNTIL THEY HAVE REACHED A GENERAL UNDERSTANDING WITH THE GOI ON THE AGREEMENT'S LIMITED OFFICIAL USE

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OTHER PROVISIONS.

5. COMMENT: DESPITE CASPARI'S EFFORTS TO REACH AN INFORMAL UNDERSTANDING (SEE REF. A), THE GOI CONTINUES TO TAKE A TOUGH LINE. COMMISSION OFFICIALS ARE DISAPPOINTED AND CURRENTLY ARE PLANNING TO SLOW DOWN THE PACE OF THE NEGOTIATIONS. IT IS NOT LIKELY THAT AN AGREEMENT WILL BE REACHED THIS YEAR. IN FACT, IF IRAN CONTINUES TO INSIST ON PREFERENTIAL ARRANGEMENTS, THE POSSIBILITY OF OBTAINING AN AGREEMENT MAY BE IN QUESTION. END COMMENT. HINTON

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